

## APPENDIX O. MANUFACTURER INTERVIEW GUIDE

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## **APPENDIX O. MANUFACTURER INTERVIEW GUIDE**

### **O.1 INTRODUCTION**

The Department proposes to conduct interviews with manufacturer representatives to gather key information on the effects that potential new energy efficiency standards for clothes washers might have on their company's revenues and finances, and on their workforce. This interview guide provides a starting point to identify relevant issues and qualitatively and quantitatively describe the impacts of possible candidate standards levels.

### **O.2 CURRENT ORGANIZATIONAL CHARACTERISTICS**

The Department's interest concerning manufacturer impact is focused at the plant or profit center level which is directly pertinent to clothes washer production. The context within which the plant operates and the details of plant production and costs are not readily available from the published literature; therefore the Department invites the manufacturers to provide these details confidentially in their own words to the extent feasible. The organizational setting around the clothes washer profit center is of interest to round out the Department's understanding of the potential future of the clothes washer manufacturing activity without and with energy efficiency standards.

- O.2.1 Identify Names of Parent Companies and Any Subsidiaries Relevant to the Clothes Washer Industry.
- O.2.2 Please Provide the Locations of Your Clothes Washer Production Facilities and the Product Mix Manufactured There
  - O.2.2.1 How would energy efficiency standards affect each production facility mix?
- O.2.3 How has your company incorporated energy efficiency improvements in clothes washer technology into its product line and marketing strategy?
  - O.2.3.1 Are horizontal-axis clothes washers currently being produced by your company?
- O.2.4 How would a new energy efficiency standard on clothes washers affect your product mix and marketing strategy?

### **O.3 INDUSTRY INFRASTRUCTURE**

As part of an attempt to better understand the industry infrastructure and the impact energy efficiency standards might have on it, the Department would like manufacturer representatives to discuss their major distribution channels and major sources of supply.

#### Major Customer Types

The following questions are intended to gain an understanding of how potential energy standards levels might affect customer mix and distribution channels.

- O.3.1 Generally how would a new clothes washer standard impact your customer mix, distribution channels and corresponding profit margins?
- O.3.2 Do you see any changes in emphasis on export sales, and would the presence of new energy efficiency standards have an impact on production of clothes washers for export sale?

#### Major Suppliers

The Department recognizes that manufacturers do not operate in isolation and that changes in the production levels or economic health of a manufacturer can have significant impacts on its suppliers and other trade allies. The Department plans to be available to meet with representatives of these trade allies and to consider their impacts.

- O.3.3 Who are the suppliers that may be affected by changes in your product mix as a result of standards? How might they be affected?

### **O.4 MANUFACTURER CASH FLOW ANALYSIS**

Each manufacturer has been given the Government Regulatory Impact Model (GRIM) to develop its own cash flow model to compare with that of the "industry" cash flow. This will allow each manufacturer to use its own financial information to arrive at the expected differences in cash flow due to new energy efficiency standards. These results, together with an adequate understanding of how they were developed, will help the Department to estimate industry impacts for different types of manufacturers.

#### O.4.1 Costs

How do you explain differences, if any, between your manufacturing costs with and without new energy efficiency standards and those presented in the sample results for the industry as a whole?

O.4.1.1 Is the "Industry" cost structure (materials, labor, overhead, tooling, etc.) representative of your firm's costs? What are the differences and their causes?

O.4.1.2 How might new standards alter this cost structure?

#### O.4.2 Prices

How do you explain differences, if any, between your expected product prices with and without new energy efficiency standards and those presented in the sample results for the industry as a whole?

O.4.2.1 Are your gross margins (% revenue) different post-standards? If so, what are the causes?

#### O.4.3 Shipments

How do you explain differences, if any, between your expected product shipments with and without new energy efficiency standards?

O.4.3.1 What assumption(s) did you make about your firm's market share post-standards? What was your reasoning?

O.4.3.2 Is your product mix significantly different from the overall industry proportions?

#### O.4.4 Financial

How do you explain differences, if any, between your financial data and those presented for the industry as a whole?

#### O.4.5 Impacts on the Business

Please discuss your interpretations of the cash flow analyses results for the standards cases. What do the results imply about the future of the business? Availability of capital?

Are there additional financial impacts on new standards that are not being captured in the cash flow analysis? Please explain? (O.e., Tax Rate, Discount Rate, Working Capital, SG&A, R&D, Depreciation)

#### O.4.6 Additional Economic Measures

Please discuss any additional measures, if any, that you might have developed that provide insight into the economic effects of changes in energy-efficiency standards.

## **O.5 COMPETITIVE IMPACTS ASSESSMENT**

Competitive impacts are assessed mainly in terms of market power, which is defined as the ability to set a given product price within a limited range. The Department is interested in manufacturer viewpoints on the degree to which new energy efficiency standards would increase market power and thereby lessen competition within the clothes washer industry.

- O.5.1 How would new energy efficiency standards affect your ability to compete in the marketplace?
- O.5.2 Do you believe that new energy efficiency standards would unfairly assist or harm the ability to compete of some firms in the industry?
- O.5.3 Please discuss examples, if any, wherein substantial consumer subgroups would experience economic or performance penalties as a result of new standards.
- O.5.4 Can your firm meet potential efficiency levels without changing your products in ways that consumers might care about?
- O.5.5 Does your company have specific information for the Department on consumer preferences for product attributes potentially affected by new standards?

## **O.6 EMPLOYMENT IMPACTS ASSESSMENT**

The impact of new energy efficiency standards on employment is an important consideration in the rulemaking process. This section of the interview guide seeks to explore current trends in clothes washer production employment and solicit manufacturer views on how domestic employment patterns might be affected by new energy efficiency standards.

- O.6.1 How would your employment levels change under new energy efficiency standards?
- O.6.2 Would the workforce skills required under new energy efficiency standards be different enough to require extensive retraining or replacement of employees?

## **O.7 MANUFACTURING CAPACITY IMPACTS ASSESSMENT**

The information discussed here is important for developing an understanding of the investment cost inputs to GRIM.

- O.7.1 How would the imposition of new energy efficiency standards affect your capacity utilization and manufacturing assets levels at your domestic production facilities?

O.7.1.1 Would any facilities be closed or downsized?

O.7.1.2 Would any facilities be added or upgraded?

O.7.2 If current capacity were to be made obsolete, would it be remodeled to accommodate a new product mix?

O.7.3 Please estimate the value of stranded assets resulting from a new standard, and/or the costs of refitting the facility and carrying out the research, engineering, and other supporting activities required to accommodate the new product mix.

## **O.8 CUMULATIVE IMPACT OF REGULATION**

Clothes washer manufacturers typically produce other appliances, some of which face regulations of their own. While any one regulation may not impose a significant burden on manufacturers, the combined effects of several impending regulations may have serious consequences for some manufacturers, groups of manufacturers, or an entire industry. Assessing the impact of a single regulation may overlook this cumulative regulatory burden.

O.8.1 Please discuss the cumulative impact, if any, of other current or future product regulations on your business, particularly those which could mitigate or exacerbate the impact of new energy-efficiency standards.

O.8.1.1 Are you facing additional regulations for clothes washers?

O.8.1.2 Are you facing regulations on other products that you manufacture?

O.8.1.3 What is the level of effort required to meet these regulations? (Cost, personnel etc.)

O.8.1.4 Are you facing any shortages in available design and manufacturing expertise (design engineers etc.)?